

Message Text

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ACTION EA-14

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R 190845Z SEP 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6894

INFO AMCONSUL HONG KONG

USLO PEKING

AMEMBASSY BONN

AMEMBASSY BERN

AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L TOKYO 12137

E.O. 11652: GDS

TAGS: EFIN, CH

SUB: PRC SHORT-TERM BORROWING IN EUROPE AND JAPAN

REF: STATE 182462

SUMMARY: LOW-KEY LOCAL INQUIRIES DISCLAIM THAT EITHER U.S. BRANCHES IN JAPAN OR JAPANESE BANKS MAKING DEPOSITS WITH BANK OF CHINA. BANK OF TOKYO OFFICIAL COMPLETELY DISCLAIMS STORY IN SMALL FINANCE JOURNAL THAT \$200 MIL LINE OF CREDIT BEING ARRANGD BY BANK OF TOKYO FOR BOC.

1. SENIOR U.S. BANKER (CHASE) DISCLAIMS ANY FIRM KNOWLEDGE OF PRC BORROWING FROM U.S. BANKS IN FAR EAST OR FROM JAPANESE BANKS INCLUDING THEIR FOREIGN BRANCHES.

2. BANK OF TOKYO OFFICIAL WHO RECENTLY RENEGOTIATED FINANCIAL AGREEMENT WITH PEOPLES BANK OF CHINA GAVE FINATT
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DETAILED EXPLANATION OF THAT AGREEMENT AND HOW

TRANSACTIONS ARE HANDLED IN RIN-MINBI (REPORTED SEPTEL). SAID ONLY DEPOSITS BEING MADE WITH PEOPLES BANK OF CHINA (BOC) IN CONNECTION WITH CURRENT PAYMENTS AND RECEIPTS. OFFICIAL AWARE OF RUMORS THAT DEPOSITS HAD BEEN SOLICITED IN LONDON (HONG KONG 5158) BUT HAS NO CONCRETE INFORMATION. BELIEVES LONDON BRANCH BOC OPERATING NOT THROUGH DEALERS BUT DIRECTLY WITH A FEW LARGE BANKS IN ORDER TO KEEP TRANSACTIONS FROM BECOMING PUBLIC KNOWLEDGE.

3. BANK OFFICIAL SAID CATEGORICALLY THAT DURING RECENT NEGOTIATION WITH BOC, BANK OF TOKYO AT NO TIME MENTIONED PROVIDING OF CREDITS. LOCAL FINANCIAL JOURNAL CARRIED STORY THAT BANK OF TOKYO AND OTHER MAJOR JAPANESE BANKS MAKING ARRANGEMENTS TO LEND BANK OF CHINA \$2 MIL AT LOW RATE OF INTEREST. OFFICIAL SAID THIS STORY COMPLETELY FALSE.

4. JAPANESE BANKS DO MAINTAIN "WORKING BALANCES" IN RIN-MINBI WITH BANK OF CHINA. THESE ARE NON-INTEREST-BEARING CURRENT DEPOSITS. TOTAL SAID TO BE LESS THAN \$100 MIL EQUIVALENT. BANK OF CHINA ALSO MAINTAINS FREE YEN DEPOSITS IN JAPAN. TOTAL AMOUNT HAS BEEN RISING ALONG WITH INCREASED JAPANESE IMPORTS FROM PRC. OFFICIAL SAID PORTION OF FUNDS ARE PERIODICALLY WITHDRAWN AND CONVERTED INTO STERLING OR DM. TOTAL EQUIVALENT SAID TO TOTAL BETWEEN \$50-\$100 MIL.

5. OFFICIAL SAID THAT EXCEPT FOR PARA 4 ABOVE, JAPANESE BANKS NOT MAKING DEPOSITS OR GRANTING CREDIT TO BANK OF CHINA OR PRC. ON OTHER HAND, JAPANESE MANUFACTURERS AND TRADING COMPANIES WHO ARE ACTIVELY SELLING CAPITAL EQUIPMENT TO PRC DO GRANT "SHIPPER'S USANCE CREDITS" OF THREE TO FIVE YEARS DENOMINATED IN RIN-MINBI. EXPORTERS DO TAKE EXCHANGE RISK AND FREQUENTLY DO SEEK FINANCING FROM JAPANESE BANKS WHICH LEND YEN. TRADING COMPANIES ON OTHER HAND HAVE GLOBAL FINANCIAL CONNECTIONS AND MAY SEEK FINANCING OUTSIDE JAPAN.

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